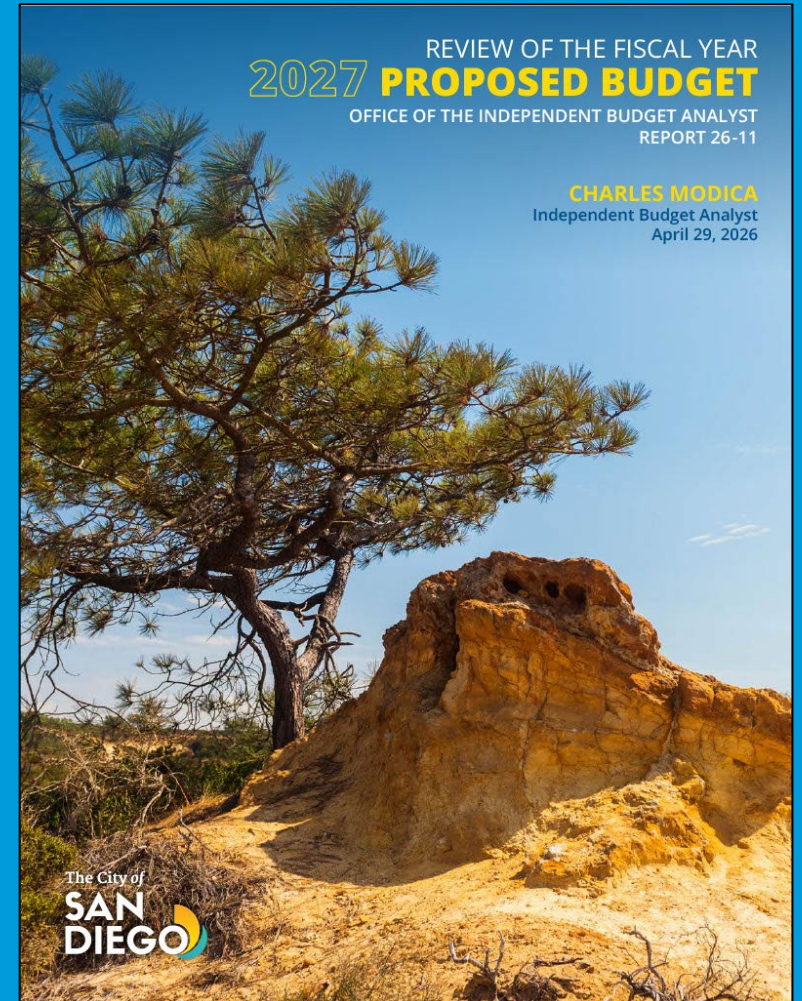


Budget Town Hall

IBA Review of the FY 2027 Proposed Budget



Office of the Independent Budget Analyst



IBA Review of the FY 2027 Proposed Budget

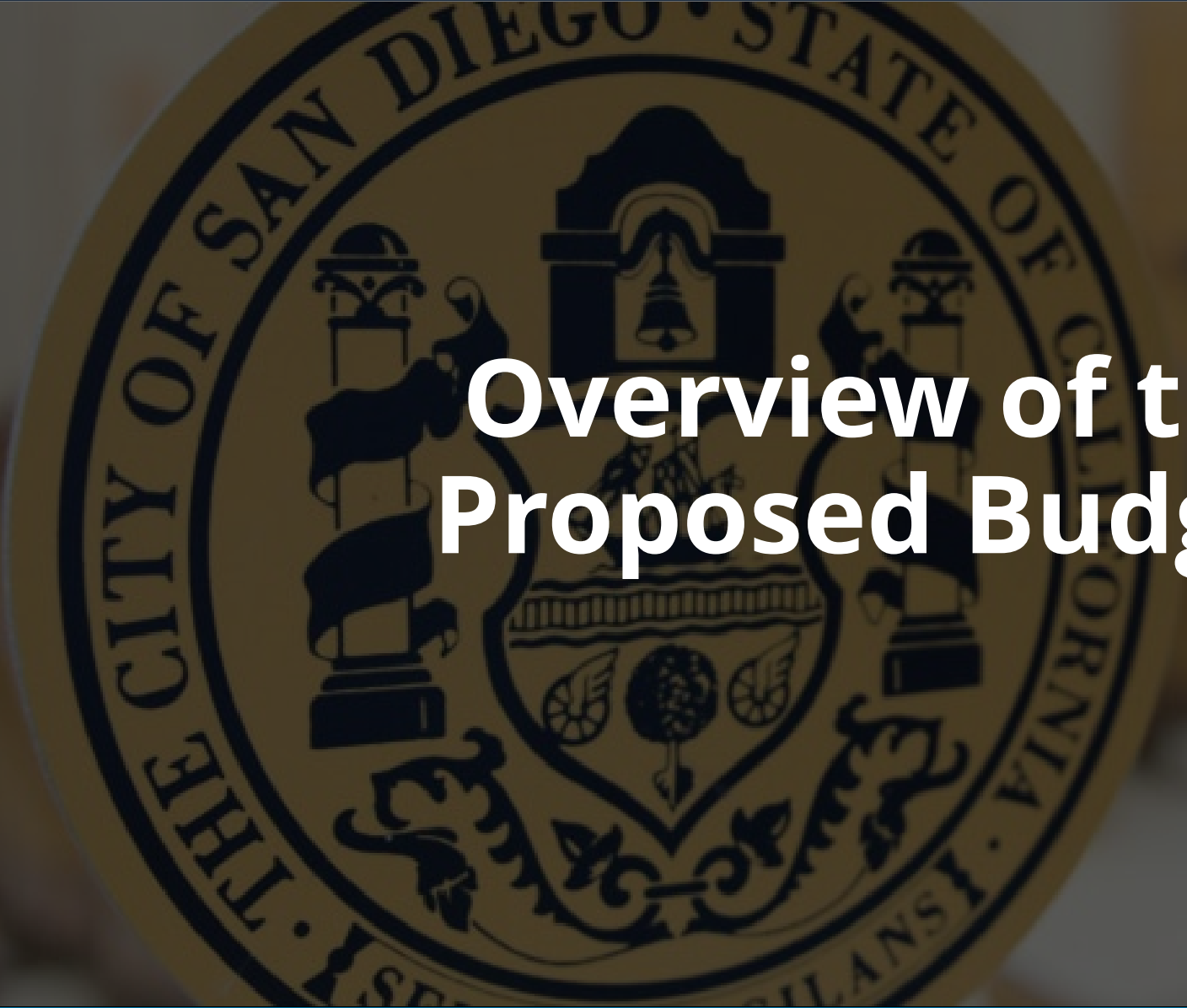
Presentation Overview

- Overview of the Proposed Budget
- Equity
- Key Budget Issues
- Next Steps
- Additional Resources

Overview

Key Findings

- City has operated with a structural deficit for years
 - Decisions in 2010s to defer infrastructure maintenance and suppress employee compensation had short-term savings but long-term costs
 - More recent budgets relied on one-time resources to fund ongoing programs
- No significant new revenue sources are available to balance FY 2027 Budget
- City's finances are in a precarious state:
 - Fund balances, reduced cash-on-hand, below-target reserve levels, maximized debt capacity, infrastructure backlog
- Critical to align ongoing expenses with ongoing revenues to provide stability and build public trust

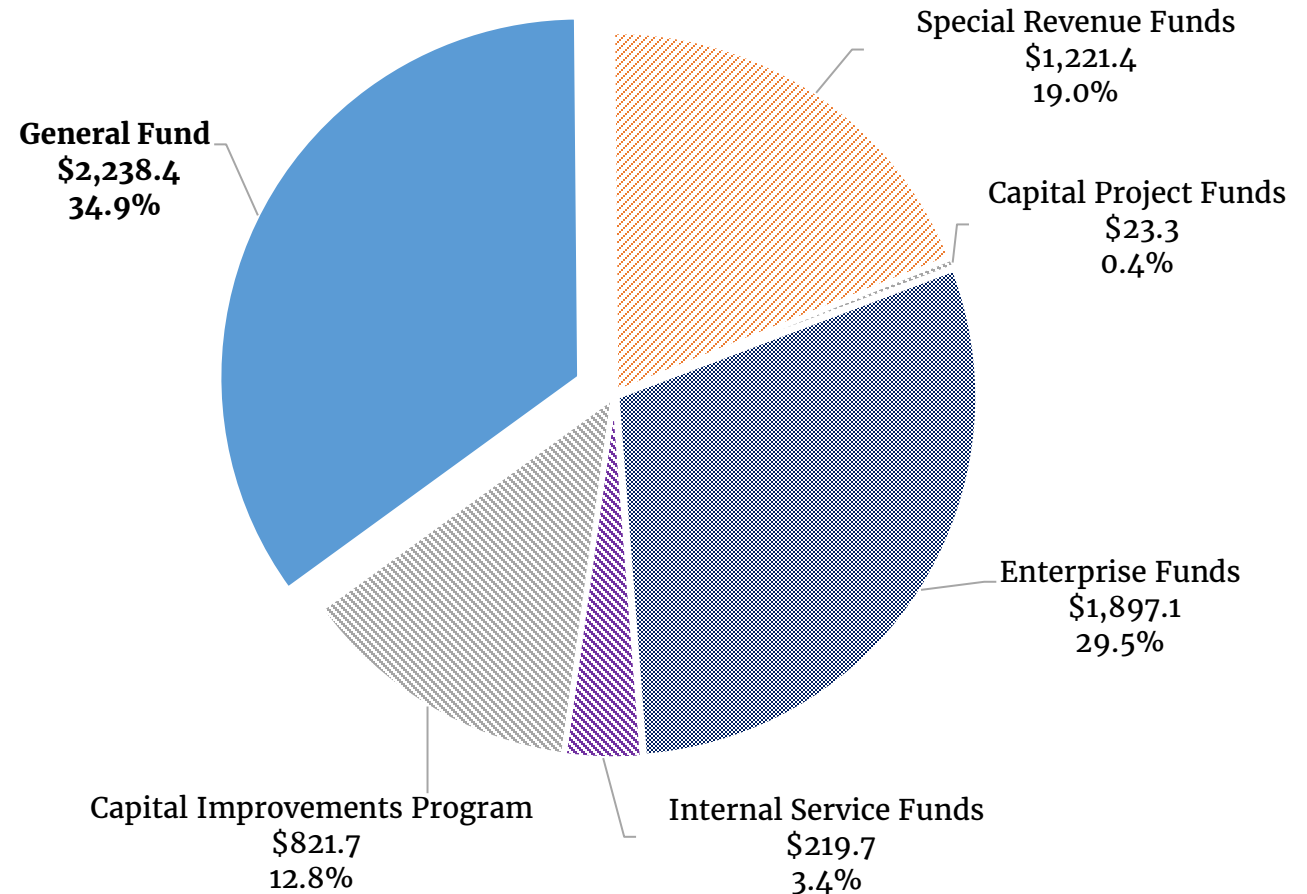
The seal of the City of San Diego is a circular emblem. It features a central shield with a bell, a ship, and a sun. The shield is surrounded by a wreath. The outer ring of the seal contains the text 'THE CITY OF SAN DIEGO' at the top and 'STATE OF CALIFORNIA' at the bottom. The seal is set against a background of a blurred image of a building.

Overview of the Proposed Budget

FY 2027 Proposed Budget by Fund

(Total of **\$6.42 billion**; \$ in million)

**General Fund
has the most
flexibility for use**



General Fund Revenues

FY 2027 Proposed Budget General Fund Revenues (\$ in millions)	
Major General Fund Revenues	\$1,536.2
<i>Property Tax</i>	882.9
<i>Sales Tax</i>	386.4
<i>Transient Occupancy Tax</i>	164.8
<i>Franchise Fees</i>	102.1
Other Revenues	\$702.2
<i>Other Major Revenues</i>	118.8
<i>Departmental Revenue</i>	583.4
Total Revenue	\$2,238.4

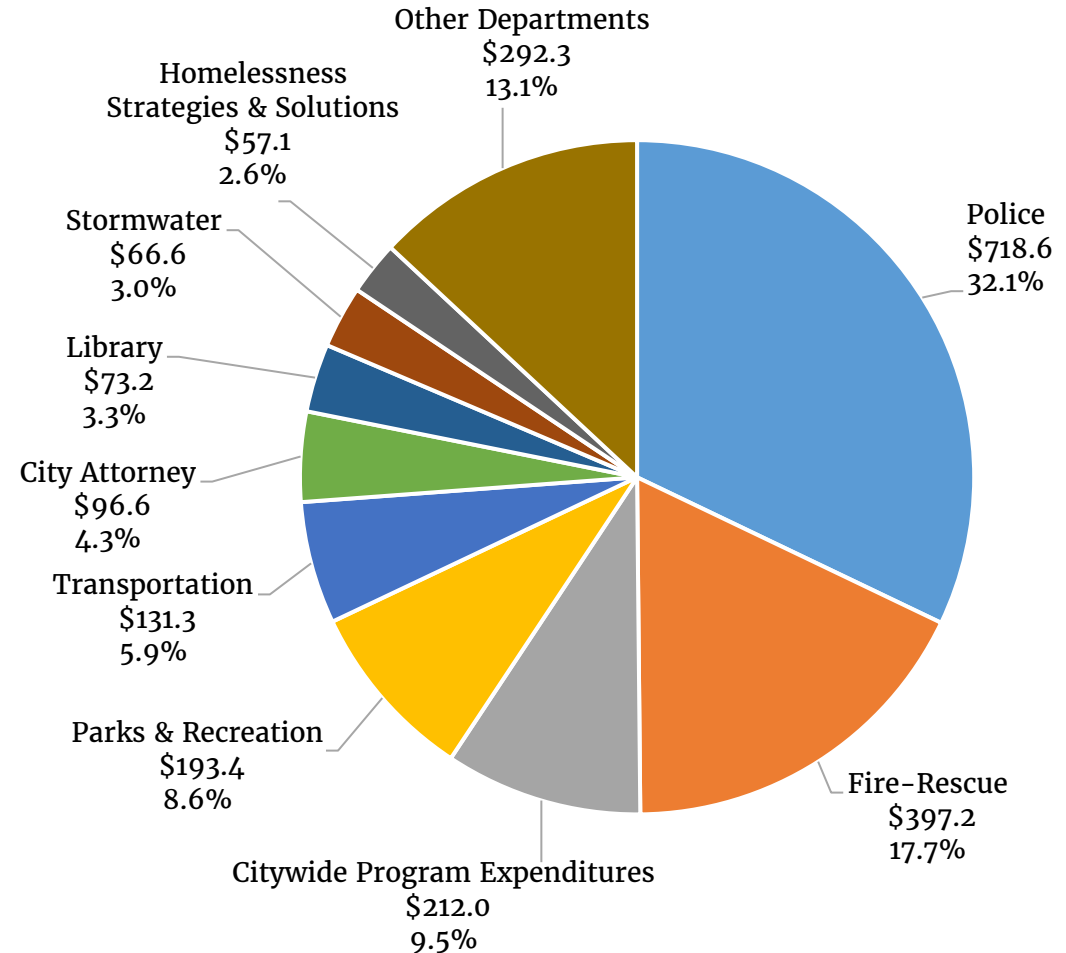
**General Fund Revenues
increase by \$67.3 million
over FY 2026**

- \$40.3 million increase in Major Revenues
 - 2.7% over FY 2026 Budget
- \$27.0 million increase in Other Revenues
 - 4.0% over FY 2026 Budget
 - Reflects transfers to General Fund, not necessarily new revenue to City

The Mayor's Proposal to Spend Money

(Total of **\$2.24 billion**; \$ in million)

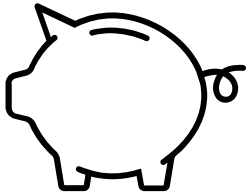
General Fund Expenditures by Department



A Closer Look at the Mayor's Proposed Budget

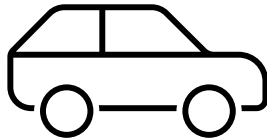
Significant Budget Additions

Pension Payment
Increase



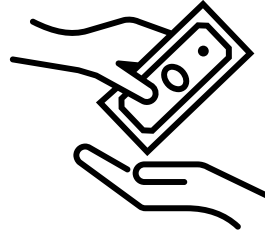
\$18.0M

Vehicle Fleet
Charges



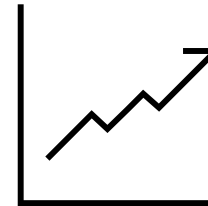
\$12.7M

Debt Service
Payments



\$12.5M

Tax and Revenue
Anticipation Notes
Interest Payments



\$7.9M

Fire-Rescue
Overtime
Adjustments

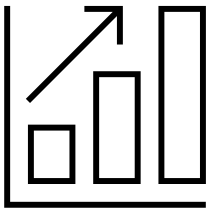


\$6.6M

A Closer Look at the Mayor's Proposed Budget

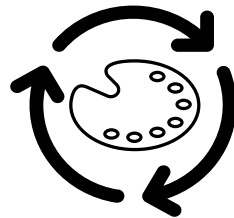
Highlighted Budget Mitigations – Increased Revenue

Tax and Revenue
Anticipation Notes
Interest Earnings



\$11.6M

TOT
Reimbursements
due to Arts Reductions



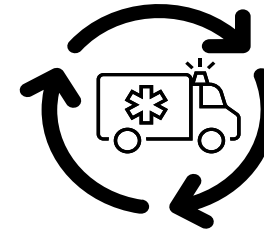
\$10.1M

Sycamore Facility
Franchise Fees



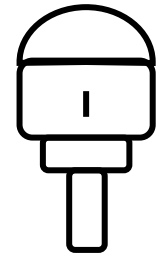
\$7.1M

EMS Fund
Transfers



\$5.3M

Parking Meter Revenue
for Sanitation and
Abatement

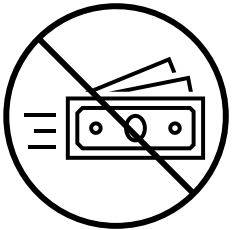


\$2.3M

A Closer Look at the Mayor's Proposed Budget

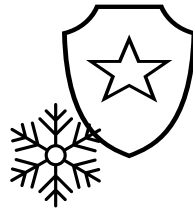
Highlighted Budget Mitigations – Decreased Expenses

Climate Equity
Fund Waiver



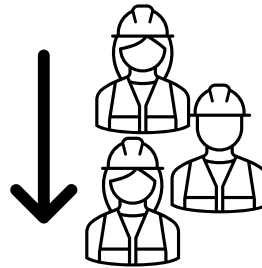
\$7.0M

Police Hiring
Freeze



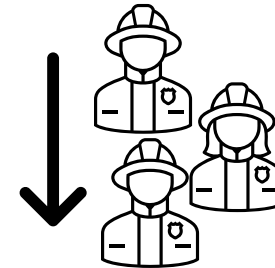
\$6.3M

Reduction of
Multi-Modal Team



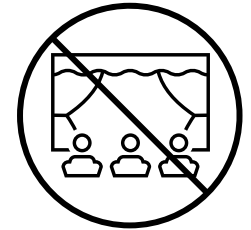
\$2.6M

Dedicated Bomb
Squad Reduction



\$1.7M

Community Projects,
Programs, and
Services Reduction



\$900K

A Closer Look at the Mayor's Proposed Budget

Highlighted Budget Mitigations – Decreased Expenses

Parks and Recreation Reductions



\$5.4M - Rec Center Hours*



\$3.0M - Staffing



\$1.8M - Parks Maintenance



\$1.3M - Restroom Closures

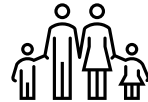


\$1.0M - Extended Pool Closures

Library Reductions



\$2.6M - Library Hours*



\$1.8M - Youth, Family, and Equity Services



\$1.0M - Matching Donations

Homelessness Services Reductions



\$3.8M - Service Reductions*



\$948K - Neil Good Day Center Closure



\$750K - Downtown Public Restrooms

**Includes option packages*

The seal of the City of San Diego is a circular emblem. It features a central shield with a ship, a bell, and other symbols. The text 'THE CITY OF SAN DIEGO' and 'STATE OF CALIFORNIA' is inscribed around the border. The word 'Equity' is overlaid in white text.

Equity

Equity Highlights

IBA's Division of Race & Equity (DRE)

- DRE analyzed equity-related implications of budget adjustments
 - DRE considered progress of achieving target performance levels, actions needed to close disparities, gaps, and deficiencies, as well as community impacts
- Equity implications categories:
 1. Employee Workforce Impacts
 2. Public Liability Claims
 3. Mobility & Infrastructure
 4. Neighborhood Services & Enrichment
 5. Public Safety
 6. Policy and Practice Implications
 7. High Priority Equity-Focused Programs
- Key Equity Impacts/Considerations around Language Access, Stormwater Maintenance, Parks, Libraries, and Arts Funding

The seal of the City of San Diego is a circular emblem. It features a central shield with a ship, a bell, and other symbols. The text 'THE CITY OF SAN DIEGO' is on the left and 'STATE OF CALIFORNIA' is on the right, separated by a small dot. The bottom part of the seal is partially obscured by the text.

Key Budget Issues

Key Budget Issues

Classified and Unclassified Positions

- Proportion of classified to unclassified positions citywide is 13.9 to 1
- Proportion of position cuts higher among unclassified ranks than classified

FTEs	Citywide (All Funds)	Citywide <u>Net</u> Reductions	General Fund	GF <u>Net</u> Reductions
Classified	11,616.50	(68.00)	7,022.66	(157.50)
Unclassified and Unrepresented	833.00	(40.00)	550.09	(24.47)
Total	12,449.50	(108.00)	7,572.75	(181.97)
% Classified	93.3%	63.0%	92.7%	86.6%
% Unclassified	6.7%	37.0%	7.3%	13.4%

Note: This table does not include unclassified Deputy City Attorneys represented by the DCAA. The Proposed Budget adds 3.00 DCAA FTEs, for a total of 179.00, all within the General Fund.

Pension

- Pension costs make up 17.7% of General Fund expenditures
- Most significant increase due to higher salaries than assumed in FY 2024

Key Budget Issues

Structural Budget Deficit

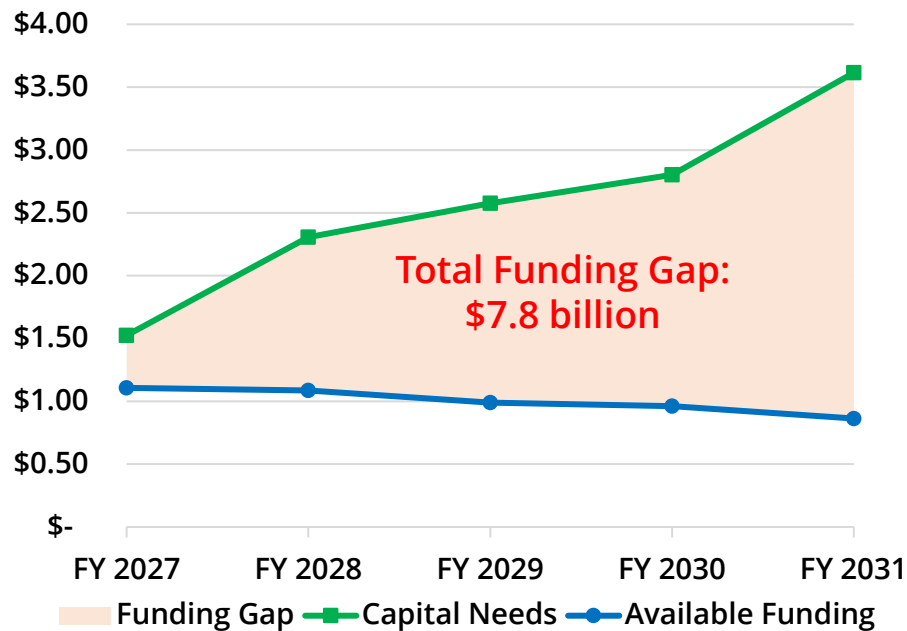
- Ongoing expenses have grown faster than ongoing revenues
- Structural deficit decades in the making; structural imbalance significant in more recent years
- Progress towards structural balance must be made

General Fund Structural Deficit Over Time (\$ in millions)						
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
<i>Structural Deficit</i>	(\$107.4)	(\$62.6)	(\$99.5)	(\$203.8)	(\$103.6)	(\$91.3)

Key Budget Issues

Infrastructure needs far exceed funding available

FY 2027 – FY 2031 Projected Capital Needs Funding
(\$ in billions)

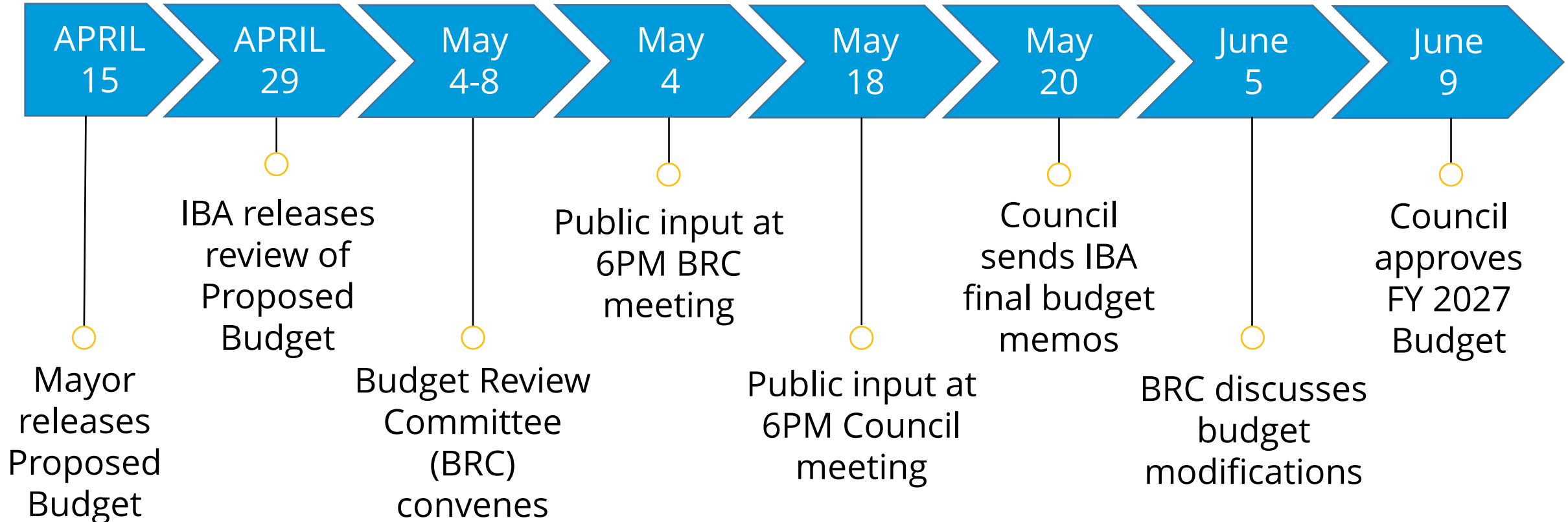


- CIP Outlook projects \$7.8B five-year gap
 - Stormwater is a major driver; heavy reliance on emergency projects
 - Establishing an ongoing funding source for stormwater is critical
- Insufficient maintenance funding compounds issue
 - New facilities opening, while maintenance is being cut
- Funding restrictions limit progress toward broader priorities

The seal of the City of San Diego, California, is a circular emblem. It features a central shield with a ship, a bell, and other symbols. The text 'THE CITY OF SAN DIEGO' and 'STATE OF CALIFORNIA' is inscribed around the border. The words '1850' and '1851' are also visible at the bottom. The seal is overlaid with a semi-transparent dark blue rectangle.

Next Steps

Next Steps in the Process



Key Budget Dates: <https://rb.gy/qlvssp>

The seal of the City of San Diego is a circular emblem. It features a central shield with a ship, a bell, and other symbols. The shield is flanked by two figures. The outer ring of the seal contains the text 'THE CITY OF SAN DIEGO' and 'STATE OF CALIFORNIA'. The word 'ESTABLISHED' is partially visible at the bottom.

Questions?